

Regular Session, 2010

SENATE BILL NO. 306

BY SENATOR MARTINY

LOCAL FINANCE. Provides with respect to investments by political subdivisions.  
(8/15/10)

1 AN ACT

2 To enact R.S. 33:2955(A)(1)(k), relative to investments by political subdivisions; to provide  
3 for investment in debt instruments issued by any state other than Louisiana; to  
4 provide for investment in debt instruments issued by political subdivisions of any  
5 state other than Louisiana; to provide restrictions on such types of investments; to  
6 provide requirements relative to political subdivisions purchasing such debt  
7 instruments; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 33:2955(A)(1)(k) is hereby enacted to read as follows:

10 §2955. Investments by political subdivisions

11 A.(1) All municipalities, parishes, school boards, and any other political  
12 subdivisions of the state are hereby authorized and directed to invest such monies in  
13 any general fund or special fund of the political subdivision, and any other funds  
14 under the control of the political subdivision which they, in their discretion, may  
15 determine to be available for investment in any of the following obligations:

16 \* \* \*

17 **(k) Bonds, debentures, notes, or other indebtedness issued by a state of**

the United States of America other than Louisiana or any such state's political subdivisions provided that all of the following conditions are met:

(i) The indebtedness has a minimum rating of A3 or higher by Moody's Investors Service or a rating of A- or higher by the Standard and Poor Corporation or a rating of A- or higher by Fitch, Inc.

(ii) The indebtedness has a final maturity of no more than three years, except that such three-year limitation shall not apply to funds held by a trustee, escrow agent, paying agent, or other third-party custodian in connection with a bond issue nor to investment of funds held by either a hospital service district, a governmental 501(c)(3) organization, or a public trust authority.

(iii) Prior to purchase of any such indebtedness and at all times during which such indebtedness is owned, the purchasing Louisiana political subdivision retains the services of an investment advisor registered with the United States Securities and Exchange Commission.

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The original instrument was prepared by James Benton. The following digest, which does not constitute a part of the legislative instrument, was prepared by Nancy Vicknair.

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#### DIGEST

Martiny (SB 306)

Present law authorizes municipalities, parishes, school boards, and other political subdivisions to invest available monies in certain types of investment vehicles. Subject to certain restrictions, these authorized investments include but are not limited to:

- (1) U.S. Treasury obligations.
- (2) Bonds, notes, etc., backed by the full faith and credit of the U.S.
- (3) Bonds, notes, etc., issued or guaranteed by U.S. government instrumentalities.
- (4) Direct security repurchase agreements.
- (5) Certificates of deposit.
- (6) Mutual or trust fund institutions.
- (7) Debt instruments issued by the state of Louisiana or any of its political subdivisions.

Proposed law retains present law and further authorizes political subdivisions to invest in debt instruments issued by other states or their political subdivisions.

Proposed law requires that the investments meet a certain minimum national investment grade rating. Proposed law further requires the Louisiana political subdivision purchasing such debt instruments to retain and maintain the services of an investment advisor registered with the U.S. Securities and Exchange Commission for the entirety of the time the political subdivision owns said debt instruments.

Effective August 15, 2010.

(Adds R.S. 33:2955(A)(1)(k))

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill.

1. Makes technical changes.